

Message Text

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SUBJECT: OIL CARGO PREFERENCE LEGISLATION

REF: FORRESTER BANK TELCON JULY 30, 1974.

FOR MR. FORRESTER

1. PER YOUR REQUEST TELCON: FOLLOWING IS TEXT OF DEPT.
(RUSH)LETTER TO CONGRESSMAN DU PONT RE OIL CARGO PREFER-
ENCE LEGISLATION, MAY 1, 1974. AS SOON AS SENATE VOTES
ON BILL (EITHER JULY 31 OR AUGUST 1) CABLE WITH RESULTS
WILL FOLLOW.

"DEAR MR. DU PONT:

I WISH TO TAKE THIS OPPORTUNITY TO EXPRESS MY PERSONAL
VIEWS TO THE MEMBERS OF THE HOUSE OF REPRESENTATIVES ON
H.R. 8193 WHICH IF ENACTED INTO LAW WOULD HAVE ADVERSE
REPERCUSSIONS IN A NUMBER OF FOREIGN AREAS.

FIRST, AN EXTENSION OF U.S. CARGO PREFERENCE TO COMMERCIAL
CARGOES, SUCH AS PETROLEUM IMPORTS, WOULD BE AN UNDESIRABLE
DEVIATION FROM U.S. SHIPPING AND OVERALL FOREIGN
ECONOMIC POLICY. UNTIL NOW, UNITED STATES FOREIGN POLI-
CIES HAVE BEEN DIRECTED TOWARDS THE MAINTENANCE AND EN-
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COURAGEMENT OF OPEN MARKETS ON A NON-DISCRIMINATORY

BASIS, WHICH WE BELIEVE BEST SERVE THE DEVELOPMENT OF BOTH

U.S. AND WORLD TRADE AND ECONOMIC GROWTH. THESE POLICIES APPLY TO A WIDE RANGE OF ECONOMIC MATTERS, OF WHICH SHIPPING IS ONE OF THE MORE IMPORTANT.

THIS BASIC APPROACH IS REFLECTED IN OUR MANY FRIENDSHIP, COMMERCE, AND NAVIGATION TREATIES WITH OTHER COUNTRIES, AND SPECIFICALLY IN THE MOST-FAVORED NATION OR NATIONAL TREATMENT CLAUSES CUSTOMARILY INCLUDED IN THESE TREATIES. SUCH CLAUSES USUALLY APPLY TO SHIPPING AND REQUIRE THAT WE GRANT THE SAME TREATMENT IN THE CARRIAGE OF COMMERCIAL CARGOES TO THE SHIPPING LINES OF THE TREATY PARTNER AS WE PROVIDE FOR OUR OWN LINES. IN EXCHANGE, OUR SHIPPING LINES SIMILARLY ARE ENTITLED TO EQUAL ACCESS TO THE COMMERCIAL CARGOES OF THE RESPECTIVE PARTNER. UNITED STATES ADOPTION OF CARGO PREFERENCE FOR COMMERCIAL CARGOES FOR U.S.-FLAG VESSELS, WOULD BE CONTRARY TO THESE TREATY PROVISIONS. SUCH A UNILATERAL ACTION BY THE UNITED STATES COULD NOT HELP BUT DAMAGE THE ATTAINMENT OF U.S. OBJECTIVES IN A WIDE RANGE OF INTERNATIONAL ECONOMIC MATTERS, INCLUDING THE PROTECTION OF OUR OWN SHIPPING LINES THREATENED BY FOREIGN GOVERNMENT CARGO PREFERENCE MEASURES.

SECOND, U.S. CARGO PREFERENCE FOR OIL IMPORTS WOULD ENCOURAGE THE ADOPTION OF SIMILAR MEASURES BY OTHER COUNTRIES, AND PARTICULARLY BY OIL EXPORTING COUNTRIES. AT THE PRESENT TIME MUCH OF OUR IMPORTED PETROLEUM IS CARRIED BY SHIPS OF ALLIED OR FRIENDLY COUNTRIES. AS OTHER COUNTRIES ADOPTED CARGO PREFERENCE REQUIREMENTS IT WOULD MEAN THE CONSOLIDATION BY THE SAME COUNTRIES OF CONTROL OF BOTH THE SOURCE AND THE TRANSPORT OF A LARGE PART OF OUR OIL IMPORTS. IT WOULD ALSO MEAN LESS FLEXIBILITY IN THE USE OF TANKERS ON A WORLD-WIDE BASIS AND SPECIFICALLY IN THE TRANSPORT OF PETROLEUM TO THE UNITED STATES. THESE CONSEQUENCES WOULD CONSTITUTE A DETERIORATION IN THE CONDITIONS OF AVAILABILITY AND SECURITY OF SUPPLY OF PETROLEUM AND PETROLEUM PRODUCTS FOR THE UNITED STATES.

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THIRD, THE ADOPTION OF CARGO PREFERENCE LEGISLATION, APPLICABLE TO COMMERCIAL CARGOES, WOULD BE VIEWED BY A NUMBER OF OUR NATO ALLIES AS DIRECTLY DETRIMENTAL TO THEIR SHIPPING INTERESTS AND WOULD THEREFORE ADVERSELY AFFECT OUR RELATIONS WITH THOSE COUNTRIES.

IN ADDITION TO THE ABOVE FOREIGN POLICY REASONS FOR OPPOSITION TO H.R. 8193, THERE ARE A NUMBER OF PRIMARILY

ECONOMIC REASONS WHICH HAVE BEEN ALREADY CITED BY OTHER
ADMINISTRATION SPOKESMEN, AND WHICH I WILL NOT REPEAT
HERE.

I MIGHT JUST ADD, HOWEVER, THAT CARGO PREFERENCE IS, IN
COMPARISON TO DIRECT SUBSIDY, AN INEFFICIENT AND
CUMBERSOME MEANS FOR PROMOTING THE MERCHANT MARINE. IN
THE CASE OF CARGO PREFERENCE FOR OIL IMPORTS, IT WOULD
MEAN INCREASED TANKER COSTS, REDUCTION IN THE
FLEXIBILITY IN THE USE OF TANKERS, AND REDUCED
INCENTIVES FOR U.S. SHIP OPERATORS TO BE COMPETITIVE IN
WORLD MARKETS. WE CONSIDER THAT THE MERCHANT MARINE
ACT OF 1970, AS AMENDED, PROVIDES THE BEST MECHANISM
FOR PROMOTING THE BULK CARGO CARRYING SEGMENT OF
THE U.S. MERCHANT MARINE.

I WOULD HOPE THAT THESE VIEWPOINTS MAY HELP YOUR
COLLEAGUES IN CONGRESS TO APPRECIATE THE SERIOUS
FOREIGN POLICY IMPLICATIONS THAT WOULD RESULT FROM THE
PASSAGE OF H.R. 8193." KISSINGER

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